



State of Washington
Department of Revenue

Excise Tax Advisory

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ADMINISTRATIVE AND PERSONNEL CHARGES BETWEEN AFFILIATED CORPORATIONS

Issued July 22, 1966

Is income taxable when it has been received by a taxpayer from an affiliated corporation for a portion of the salaries of the taxpayer's personnel who spent a part of their time working for the other corporation?

An automobile dealer provided an affiliated corporation with services of some of its officers, clerical help, switchboard operators, administrative personnel, and parts and service employees. The personnel expenses for these employees were prorated according to the gross sales of the two corporations.

The Commission held the reimbursements for administrative, clerical, and general shop services taxable under the "Service" classification. It noted that although Rule 201 permits a deduction for "interdepartmental charges",

"This does not permit the exclusion or deduction of charges against or income derived from an affiliated corporation or other affiliated association."

Under Rule 203 each separately organized corporation is a "person" irrespective of its affiliation with or relation to any other corporation and must file a separate return.

There was no evidence that the employees were employees of both firms. Thus the transactions were considered to be within the definition of "business" as defined by RCW 82.04.140, because they were

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Please direct comments to:
Department of Revenue
Legislation & Policy Division
P O Box 47467
Olympia, Washington 98504-7467
(360) 753-4161 eta@DOR.wa.gov

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